



**CALIFORNIA  
HIGH-SPEED RAIL  
AUTHORITY**

**TO: Chairman Pringle and Authority Members**

**FROM: Mehdi Morshed, Executive Director**

**Date: October 30, 2009**

**RE: Agenda Item 8 – Request for Expressions of Interest for Procurement**

**Discussion**

At the October 1, 2009 Board meeting, Authority members requested further information to substantiate Staff's request for authorization to issue a Request for Expressions of Interest (RFEI) for procurement of private partners who would provide services in connection with the planning, operation, and development of the project.

The issuance of this Request for Expressions of Interest (RFEI) to four relevant sectors of private industry is a major step toward establishing a cooperative partnership with the private sector. Firms not in one of the four industry sectors are also encouraged to submit RFEI responses relevant to their business interests.

The RFEI document will provide an update on Project status and seek responses to questions that are intended to elicit opinions on how the private sector views participating in the Project and their suggestions for making it more attractive to industry. This step will lead to the issuance of a Request for Qualifications (RFQ) and, subsequently, an industry review of draft procurement documents as a precursor to a Request for Proposals (RFP).

The following four industry sectors will receive the RFEI questions pertaining to their particular sector:

- Financial – firms that can fund the project through various financial instruments
- Operators – firms that have experience in operating and maintaining a train system
- Infrastructure – contractor community, primarily experienced design-builders
- Core Systems – manufacturers and installers of core systems (trainsets, positive train control, communications, traction power, overhead contact system, operations control center, heavy maintenance facility, and trackwork).

The following is an initial timeline for this process to meet the ARRA (Stimulus) program milestones. A separate schedule will be developed for the remaining Phase 1 infrastructure and core systems RFQ and RFP.

### Process and Timeline

<u>Activity</u>	<u>Timeline</u>
Board approval of RFEI – process, industry sectors, draft questions	Nov 5, 2009
Present final RFEI documents with final questions to Board for approval	Dec 3, 2009
Issue RFEI document with questions for response	Dec 15, 2009
Pre-submittal conference – project status, clarifications	Mid-Jan 2010
Receive RFEI responses – evaluate, classify	Early Mar 2010
Report RFEI results to Board for information and comment, and request Board approval to issue RFQ documents.	Apr 2010
Issue RFQ	Apr 2010
Receive RFQ responses and select proposers from each industry group on behalf of the industry at large to review draft RFP documents	Jul 2010
Report RFQ results to Board and request approval to issue draft RFP to selected proposers for review of documents	Aug 2010
Issue draft RFP to selected proposers for review and comment	Sep 2010
Receive comments on draft RFP	Nov 2010
Update RFP documents and present to Board for approval	Dec 2010
Issue RFP (after ROD/NOD for LAUS-AN)	Scheduled Apr 2011
Deadline for ROD/NOD to comply with Stimulus criteria	Sep 2011
Receive proposals	Oct 2011
Evaluate and select short list of best-value proposals	Nov 2011
Request Best and Final Offers from short listed entities	Nov 2011

Select best- value proposal	Dec 2011
Selection results to Board and request approval to enter negotiations	Jan 2012
Complete negotiations with selected proposer	Jun 2012
Obtain Board approval to award contract	Jul 2012
Award contract	Jul 2012
Deadline for obligating funds for Stimulus packages	Sept 2012

### **Recommendation**

I recommend that the Executive Director be authorized to finalize and issue a Request for Expressions of Interest for Procurement of Private Partners.



**CALIFORNIA HIGH-SPEED RAIL AUTHORITY**

**Resolution #HSRA10-007**

**Regarding the issuance of a Request for Expressions of Interest**

Whereas, it is desirable for the California High-Speed Rail Authority to issue a Request for Expressions of Interest in order to solicit industry feedback on potential procurement approaches,

Now, therefore, be it resolved,

Resolved, that the Executive Director is authorized to finalize and execute Requests for Expressions of Interest soliciting industry feedback on potential procurement approaches as generally described in the attached memorandum.

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## **REQUEST FOR EXPRESSIONS OF INTEREST (RFEI)**

### **PRELIMINARY QUESTIONS**

October 30, 2009

### **RFEI DISTRIBUTION AND INSTRUCTIONS**

To get maximum distribution to all interested parties, including small businesses, the RFEI will be sent to all firms that responded to the 2008 RFEI as well as other firms that subsequently expressed interest, it will be placed on the Authority's website, as well as to be sent to relevant industry associations and publications. Each respondent will be requested to provide its contact information, the particular sector(s) in which it is interested and responses to relevant questions. Preliminary questions are listed below.

### **TARGET INDUSTRIES**

The following four industry sectors will receive the RFEI questions pertaining to their particular sector: Financial, Operators, Civil Infrastructure, and Core Systems (trainsets, positive train control, communications, traction power, overhead contact system, operations control center, heavy maintenance facility, and trackwork).

### **PRELIMINARY RFEI QUESTIONS BY INDUSTRY SECTOR**

#### **For All Respondents:**

1. Please provide feedback on the materials presented this year at the operations and financial Board workshops, August 6<sup>th</sup> and September 3<sup>rd</sup>, respectively, and posted at [www.cahighspeedrail.ca.gov](http://www.cahighspeedrail.ca.gov). In particular, please comment on the overall program, organization of tasks, schedule, funding approach, and funding sources discussed.
2. In your area(s) of project interest, what is a reasonable timeframe for you to prepare a proposal in response to a Request for Proposals (RFP)? List any assumptions you feel are necessary to respond.

**Financial:**

1. How could you assist the Authority in raising private sector financing?
2. What types of risk are you prepared to take related to your area of expertise, including construction cost, construction delay, construction performance, equipment delivery, operations & maintenance, ridership?
3. Are you able to provide debt and equity for this Project under an availability payment approach or a shared ridership risk approach? If so, in what amount and percentage of the total contract?
4. Assuming you have a financial interest in the HST project:
  - (a) would you consider taking an equity stake in the project?
  - (b) would you consider project finance with physical assets as security for debt with repayment from operating revenues?
  - (c) what other potential financing mechanisms are attractive, e.g., vendor financing?
  - (d) what factors would you consider as minimum conditions for (a) or (b) to be attractive?
5. Which of the following sections are now the most and least attractive for private investing, and why:
  - (a) Los Angeles – Anaheim
  - (b) Los Angeles – Palmdale
  - (c) Palmdale – Bakersfield
  - (d) Bakersfield – Fresno
  - (e) Fresno – Merced
  - (f) Merced – San Jose
  - (g) San Jose – San Francisco
6. As a potential private financier/investor, would investing in an element of HSR, e.g., P3 or operations, be significantly more attractive if a modest level of revenue were available from transit oriented developments and/or station operations?



7. As having a financial interest in the HST, would the concept of structuring an operating franchise or a construction contract to receive bonuses for surpassing performance milestones or penalties for underperforming be attractive to you? Would you require the operator to invest equity in the project?
8. What specific steps would you recommend the Authority take to maximize private investment?
9. What other advice do you have for the Authority as it relates to the procurement of financial services, operations, infrastructure, and core systems for the ARRA (Stimulus Application) sections as well as future development of the Project?

**Operators:**

1. What could you do to assist the Authority in achieving safe and reliable high-speed rail service with excellent value for passengers?
2. If the Authority were interested in partnering early with an operator under a long term franchise, and operator services would start sufficiently soon for it to assist the Authority in the procurement process for other project delivery elements, would you be interested in participating if operator financing were required at that early stage? If so, what would be a likely source for such financing?
3. What are the minimum and maximum durations for an operating franchise you would consider?
4. How would you package contract for operations, maintenance (trainsets, infrastructure, systems), and maintenance shops & equipment services? Together or individually?
5. As a participant in private financing, what proportion of ridership risk would you consider reasonable to assume for the earlier operating sections? How would you suggest bridging the financial gap until ridership is achieved to support a profit?
6. Would the concept of structuring an operating concession with incentives for achieving operating performance milestones along with penalties for underperformance be attractive to you?
7. How would you package Operations, Maintenance (trains, infrastructure, systems), and Maintenance Shops & Equipment? Please explain your rationale.
8. Please describe your opinion regarding the availability of performance guarantee instruments suitable for a long term operating franchise.

9. As having a financial interest in the HST, would the concept of structuring an operating franchise or a construction contract to receive bonuses for surpassing performance milestones or penalties for underperforming be attractive to you? Would you require the operator to invest equity in the project?

**Infrastructure:**

1. What could you do to achieve compliant, on time, safe, quality construction results while minimizing community impacts?
2. Considering each of the proposed project sections, what initial approaches would you suggest to optimize on-time and on-budget project delivery? Please address system-wide bundling or not, contract packaging considerations, project delivery methods, and major risk mitigations. Indicate which suggestions apply to specific sections or to all sections.
3. How would you recommend the packaging of utilities relocations contracts for (a) congested urban areas, and (b) rural areas.
4. What opportunities, if any, do you see for smaller contract packaging, e.g., \$5 – \$50 M? Be as specific as possible.
5. What is the largest HSR design-build project you would consider undertaking, with any qualification indicated?
6. How would you react to an RFP that required a minimum level of subcontracting to California firms and what would be an acceptable percentage of scope?
7. Should stations be packaged with infrastructure or contracted separately? Please explain your rationale.
8. Considering the Bakersfield – Palmdale section, there are approximately 12 miles of tunnels. Would you recommend that the tunnels be contracted as a separate package or combined with other infrastructure? Please explain your rationale.
9. What is your opinion of contracting multiple structures or multiple grade crossings in a single package?
10. Would you consider participating in either a P3 partnership or in a design-build contract?
11. If the answer to 10 is yes, describe the extent of your firm's experience as an at-risk principal member of public-private partnerships.



12. Would you consider taking an equity stake or some other form of investment in a project?
13. Considering each of the proposed sections, what do you see as the principal construction risk and how would you mitigate that risk?
14. How do you see the 3-5 year cost of construction materials trending?
15. To what degree is a cap on liability important for your participation as design-builder? Do you have a maximum cap level for participation, and if so, what is that level?
16. What methods would you recommend for keeping effective two-way communications with communities in your area of work, e.g., general project information, planned power outages, dust and noise control, required traffic interruptions and road closures? What would you recommend to minimize public impacts during construction?
17. What would be your preferred method for alternative dispute resolution, e.g., mediation, arbitration, and why?
18. Would a reasonable stipend for short-listed non-selectees be a factor in deciding whether to submit a proposal? If so, please indicate a stipend threshold amount that would make a difference.
19. What is your opinion regarding the availability of performance guarantee instruments suitable for a contract size upon which you would contemplate proposing.
20. If you were selected as a qualified proposer to advise on the procurement documents, would you be prepared to provide advice to the Authority on the draft RFP and draft contract terms and conditions on a pro-bono basis?

**Core Systems:**

1. We are looking to have the Core Systems Team complete the test track between Merced and Bakersfield to include the following: Trainsets, Positive Train Control, Communications, Traction Power, Overhead Contact System, Operations Control Center, Heavy Maintenance Facility and Trackwork. What would you recommend for this approach?
2. State your preference for combining Core Systems procurement with an operating franchise that includes maintenance, for a 30-40 year period.

3. Given an approach to contract for either a trainset with operations & maintenance or only for supplying the Core Systems, what financial level of commitment would you bring to the program to meet the \$6.5-\$7.5 billion in private finance for Phase 1?
4. Once the test track is completed, how would you prefer to see electrification and trackwork packaged for other sections?
5. Would you be willing to manufacture/assemble trainsets in California?
6. Would you be able to comply with the Buy America Act provisions? If not, why not?
7. From Notice to Proceed, approximately how long would you need to design and deliver the following, with key assumptions noted:
  - (a) 2 pilot trainsets
  - (b) A total of 100 trainsets, each 200 meters in length and for 450 – 500 passengers
8. Would you prefer to see system electrification packaged with individual infrastructure contracts as opposed to having one system-wide contract? Please explain your rationale.
9. Do you have a suggested approach to scheduling contract packages to avoid overloading the industry capacity for critical skills, e.g., signaling designers and electrical trades?
10. What is your opinion regarding the availability of performance guarantee instruments suitable for a core systems contract scope/size upon which you would contemplate proposing.